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SUBJECT: GOB TRADE POLICY REMAINS UNCLEAR

REF: LA PAZ 186

11. In conversations with USG officials, President Morales and Vice President Alvaro Garcia Linera have repeatedly said they understand the importance of free trade and may wish to negotiate Bolivia's entry into the proposed Andean Free Trade Agreement (FTA). Both have indicated their desire to improve the economic conditions of Bolivians by creating jobs, and both seem to recognize the potential of an FTA to do just that. Lead FTA negotiator Julio Alvarado recently told Econoffs a decision on whether to continue FTA negotiations would likely be delayed as the incoming administration mulls over its priorities (reftel), but he seemed to expect the GOB to move ahead.

12. (U) GOB officials' public statements have been less clear and not encouraging. According to press reports, President Morales recognized the importance of acquiring new markets for Bolivian goods but declared that existing and new trade arrangements should benefit small and medium producers, without "conditions, blackmail, or threats." Minister of Foreign Affairs David Choquehuanca made similar remarks, assuring listeners that the GOB was not opposed to FTA negotiations but warning that the proposed agreement and similar arrangements, including those with the Andean Community and Mercosur, would have to be carefully evaluated.

In a contradictory statement, new Minister of Economic Development Celinda Sosa said small businesses would gain more from "rejecting" than from negotiating trade agreements, arguing that small and micro enterprises could not be expected to compete in markets whose rules were determined by the United States. Other GOB representatives have stated that FTA negotiations should only be pursued if the United States respects Bolivia's "sovereignty and dignity."

13. (U) Comment: Until the GOB formulates an official policy on the FTA, there seems to be little basis on which to hold further discussions, particularly in light of President Morales' decision to ride the anti-FTAA, anti-Bush train at last year's Summit of the Americas. Bolivia's three previous governments formally stated their interest in negotiating an agreement, and we believe the present administration should

do the same. Given resistance to free trade by many in Morales' inner circle and among his supporters, however, such a move will be politically difficult. End comment.  
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